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The role and importance of public employment programmes: the case of Hajdúböszörmény micro-region, Hungary

Public employment programmes are important tools for reducing unemployment and its impacts. The Hungarian National Public Employment Programme, launched on 1 January 2011, includes micro-regional start-work model programmes. A questionnaire survey designed to assess whether these programmes can help to re-integrate jobless people into the labour market was conducted among 300 programme participants in the (LAU1) micro-region of Hajdúböszörmény in north-east Hungary. Most respondents have, at most, basic education. The majority have already participated in public employment programmes three or more times, often over a period of more than two years. Most respondents with higher education would like to return to the primary labour market, but many less educated persons would accept further public employment. Very few want to work in the 'black' economy. Most did not take part in any actions to improve their employability, either through the programmes or on their own initiative. Many feel that they have developed new competences but do not believe that their career prospects have been improved. Their self-esteem has increased and they can see the value to society of the work they have been doing. In conclusion, the current public employment system seems to be reducing 'black' labour but not substantially improving the employability of participants. Training combined with public employment should be obligatory. The programmes should be maintained as long as the private sector cannot provide enough job opportunities. Their activities increase the amount of available work in the micro-region and have positive benefits for the micro-region community as well.

Keywords: public employment, unemployment, job opportunities, employment policy

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Introduction

Mass unemployment is a product of the industrial revolution of the late eighteenth century: there was less need for human labour after the spread of machines. Unemployment has led to several social problems and tensions. Although it is not possible to eliminate unemployment, it must be managed in order to decrease these tensions in society and the economy. The many interventions designed to correct market failures in the formal labour market that are clustered under the title 'active labour market programmes' include public employment programmes (Dar and Tzannatos, 1999; Boone and Ours, 2004).

Such programmes are used by governments to increase aggregate demand for labour (ILO, 2010). Public employment has occurred in several forms since the Middle Ages: the first workhouse was established in Amsterdam in 1555. The first 'formal' public employment programmes were launched in 1933 in the United States within the framework of the New Deal (Koltai, 2013). However, public employment programmes are not only a crisis response to be applied when the demand-supply balance of labour has been disrupted. In many countries, unemployment is an ongoing challenge, with markets unable to create employment on the required scale (ILO, 2010). Public employment programmes are in place across the world to complement employment creation by the private sector.

In Hungary, employment subsidies to companies were introduced in the second half of 1987 with the aim of supporting the expected temporary lack of jobs. It was hoped that with the political and economic changes industry would re-start, the new owners after privatisation would discover new markets and unemployed people would again become employed in order to produce for new markets (Csehné, 2007).

Public work, the form of public employment for carrying out state and local government public service, appeared again in Hungary in 1996 after half a century. Most of the

public workers were men, owing mainly to the nature of work (Kulinyi, 2013). A third form of public employment ('work with a public aim') was proposed in May 2000. This had to offer job opportunities to people receiving regular social assistance within the constraints of central budgetary sources. It was designed to carry out state or local government services that are not public works or community services and it had to be managed – according to the law – by local governments. It was introduced in 2001 and firstly helped to filter the number of supported people and secondly to confirm their entitlement for assistance. It also contributed to carrying out local government public services in a cost-effective way (Galasi and Nagy, 2003).

The Pathways to Work (*Út a munkához*) public employment programme was launched on 1 January 2009 and operated until 1 January 2011. The organisation of public employment was transferred from local governments to labour offices. Its primary target was to increase the involvement of people who are able to work or the long-term unemployed in public employment to earn a regular income (Csoba, 2010). The objectives of the programme were to return the relevant groups to the labour market, to increase the number of projects that support job creation and to reduce the incidence of 'black' (i.e. not registered for tax) labour. Although crisis management was not the original aim of the project, it became available for people made unemployed due to the economic crisis by the end of 2009 (Köllő, 2010).

According to Fírlé *et al.* (2007), participants in public employment programmes are 30-35 per cent less likely find jobs than individuals from the control group not receiving any assistance or being inactive, suggesting that these programmes do not have a significant improving effect on the labour market. To solve these problems and to help as many people as possible who are of working age and are able to work and are disadvantaged in the labour market to return to the labour market, the public employment system has recently been radically transformed (Hoffman, 2012).

On 1 January 2011 the Hungarian government launched the National Public Employment Programme, the objectives of which are to create a legal background for public employment and to provide job opportunities for the working population and job seekers. According to the database of the Hungarian National Employment Office, in 2011 there were 265,607 participants in public employment, which is nearly double the numbers from the previous two years. In 2012 the figure was 311,511. The allocated budget was HUF 64.0 billion in 2011, rising to HUF 137.5 billion in 2012 and HUF 153.8 billion in 2013. In the case of micro-regional start-work model programmes, in addition to the salary and benefits costs, 100 per cent of the investment and support materials costs and expenses are eligible under the programme.

This programme has attracted more political attention and divided public opinion more than any previous employment support programmes in Hungary, but there is currently very little information available in the literature about its results. The purpose of this research was to assess, from the viewpoint of the participants themselves, the impact of the micro-regional start-work model programmes on the labour market prospects of the programme participants in the north-eastern Hungarian (LAU1) micro-region of Hajdúböszörmény. It aims to show whether the programme can help to re-integrate jobless people into the labour market or whether its main impact has been to conceal the rising unemployment rate in the name of a 'work-based society'.

Methodology

Hajdúböszörmény is located in the North Great Plain (NUTS2) region in north-eastern Hungary, approximately 20 km north-north-west of the main regional centre of Debrecen. The hinterland is very rural but the once very prosperous *mezőváros* (market town) is currently facing restructuring and employment problems. In 2013 the public employment programme in Hajdúböszörmény provided job opportunities within the framework of nine micro-regional 'model projects' to 850 people who were unemployed or received employment substitute assistance. The starting date of these projects was 1 March 2013.

In May 2013 a survey was carried out among the 300 public workers who had been recruited the earliest that year. Among these, 62 persons participated in the *renovation of inland drainage system* project, 34 in the *clearance of illegal landfill sites* project, 72 in the *road network maintenance* project, 9 in the *organic farming* project, 31 in the *renovation of agricultural roads* project, 22 in the *agricultural plant production* project, 7 in the *manufacturing concrete elements* project, 37 in the *public works in winter* project and 26 in the *other value-creating* project. These numbers reflect the actual levels of participation in each programme.

The survey was composed of a general data sheet and a questionnaire that consisted mainly of multiple-choice questions. The 37 questions were formulated following an analysis of the literature. The results reported in this paper are clustered around three themes. Firstly, the employment history of the programme participants and how in the future would they like/expect to be involved in the labour market.

Secondly, whether the participants felt that involvement in the programme has helped them to develop their skills so that their labour market prospects are improved. Thirdly, whether they feel that, more generally, they have benefitted from taking part in the programme and, if so, how.

The results were analysed according to the educational level of the respondents (Table 1). Groups 1-3 were composed predominantly of men and groups 4-5 of women. Persons aged 35 constituted the majority of groups 1-3. Group 4 included similar numbers of persons in each age range while group 5 was dominated by those aged 35 or less.

Table 1: Key characteristics of the 300 respondents, according to educational level.

Group	Educational level	Total	Men (%)	Age (%)			
				18-25	26-35	36-50	51+
1	Less than basic schooling	61	80.3	9.9	16.4	54.1	19.6
2	Basic schooling (to age 14)	50	68.0	16.0	12.0	34.0	38.0
3	Secondary vocational training	128	70.3	10.9	22.7	42.2	24.2
4	Secondary (Gimnázium)	26	26.9	23.1	23.1	30.7	23.1
5	Tertiary (college, university)	35	28.6	20.0	54.3	17.1	8.6

Results

Employment history and labour market aspirations

The majority of respondents (196) became job seekers through redundancy, 35 were dismissed, 40 resigned, 32 had recently left education and the remaining 21 gave other reasons. Redundancy was the dominant reason for unemployment among respondents in groups 1 and 2, but accounted for only around 50 per cent of those in groups 3-5 (Figure 1).

Amongst the respondents, only 19 per cent do intellectual work and the others have a physical job. However, this distinction is strongly linked to educational level, with less than two per cent of those in group 1 doing intellectual work, compared to 71 per cent in group 5 (Figure 2). In all groups, more respondents would prefer to do work of an intellectual nature in future, although there are still major differences in preferences between the five groups.

Ninety-nine per cent of the respondents worked six or eight hours per day (data not shown).

The data from the questionnaires show that the majority of the respondents have been involved in public employment programmes over a long period. One hundred and sixty one have had public employment three or more times, and a further 73 twice. The data suggest that less educated persons are more likely to have worked in public employment programmes on three or more occasions (Figure 3), but even in group 5 more than 50 per cent of respondents had done so.

Forty-two per cent of the respondents have been participating in public employment programmes for more than two years, including longer or shorter breaks. Twenty-one per cent have been participating for 1-2 years, 13 per cent for 6-12 months and 23 per cent for 0-6 months. Linking the

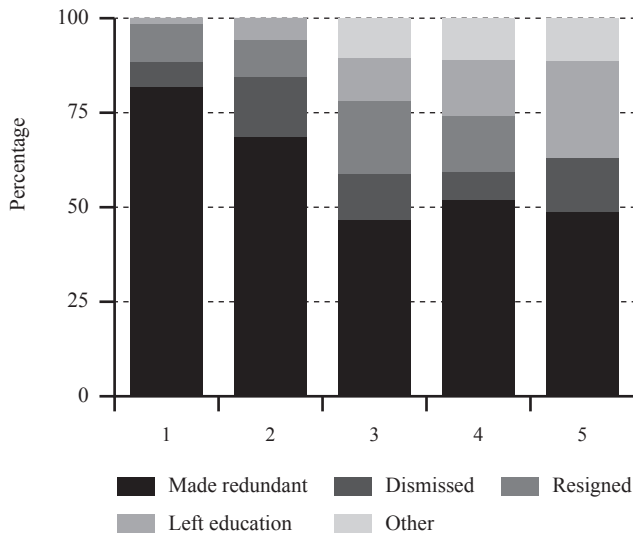


Figure 1: Respondents' stated reason for being unemployed, according to educational level.

Source: own data, n=300

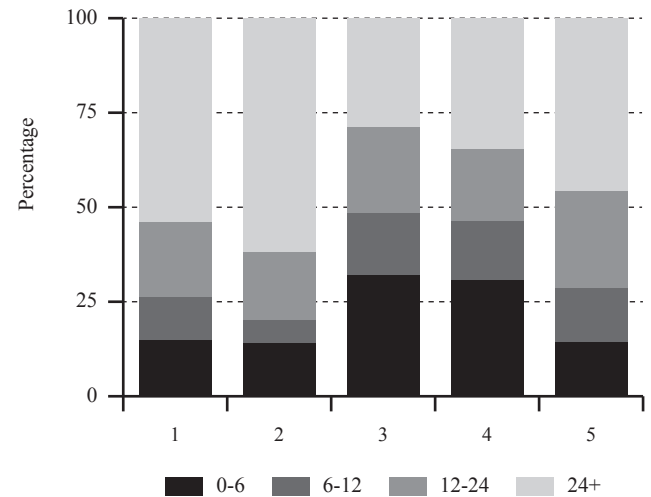


Figure 4: Number of months of participation in public employment programmes, including longer or shorter breaks, according to educational level.

Source: own data, n=300

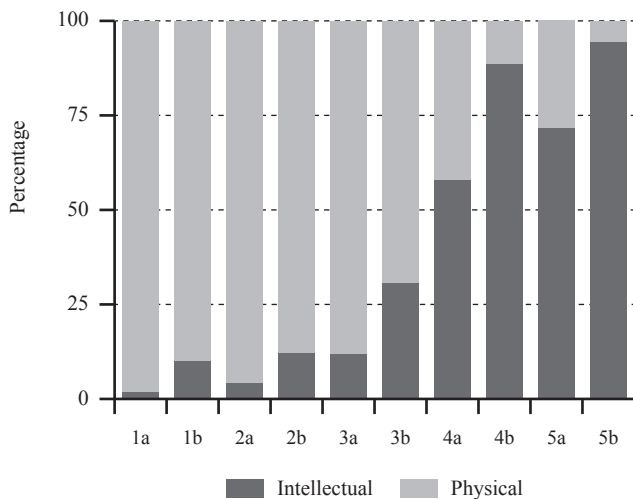


Figure 2: The (a) nature of the respondents' public employment and (b) preferred nature of job following public employment, according to educational level.

Source: own data, n=300

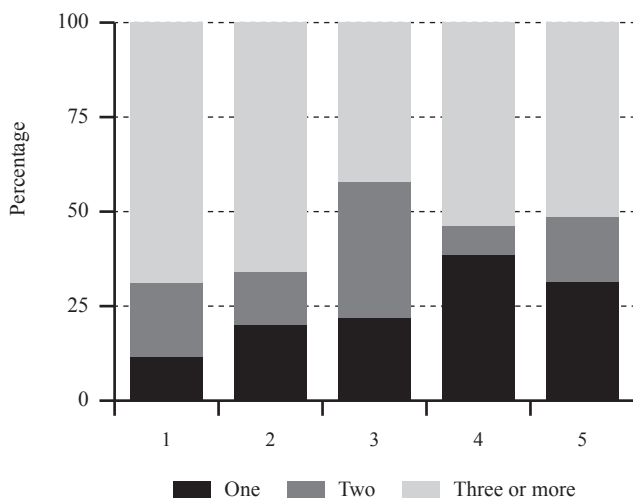


Figure 3: Number of periods of public employment, according to educational level.

Source: own data, n=300

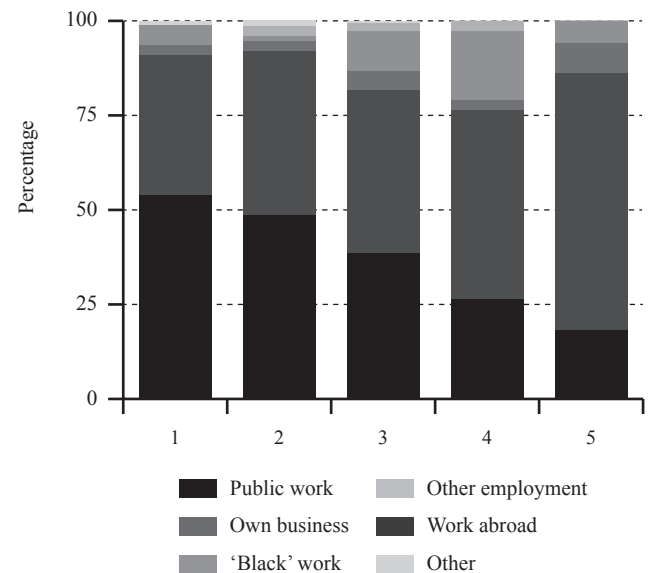


Figure 5: Respondents' preferences for types of future work, according to educational level.

Note: respondents could select more than one option
Source: own data, n=300

results of Figure 3 and 4 it may be concluded that 126 out of 300 respondents have regularly been returning to public employment programmes. Long-term involvement in public employment (24+ months) is common in all five groups of respondents (Figure 4).

When asked about their future work preferences, respondents were allowed to select multiple options. Sixty-five per cent of respondents would prefer to have a job in the primary labour market but 57 per cent would accept further public employment. Only six per cent stated that they are planning to start their own enterprise, and 12 per cent expressed an interest in working abroad. Just two per cent of the respondents have chosen 'black' labour as a job alternative. Yet again a clear relationship with educational level is evident (Figure 5). In group 5, 34 out of 35 respondents expressed a wish to join the primary labour market, compared to 29 out

of 61 in group 1. By contrast, 42 of the latter group would consider further public work, compared to just nine persons in group 5.

Skills development

Respondents were again allowed to give multiple answers when asked about the skills and competences they felt they were lacking before starting public employment. In first place (118 persons) was professional knowledge while the second most common response (96 persons) was that respondents felt that they did not need to develop any competences. The need to improve foreign language skills was identified by 64 persons, and a lack of self-confidence and the need for IT skills development by 45 and 39 persons respectively.

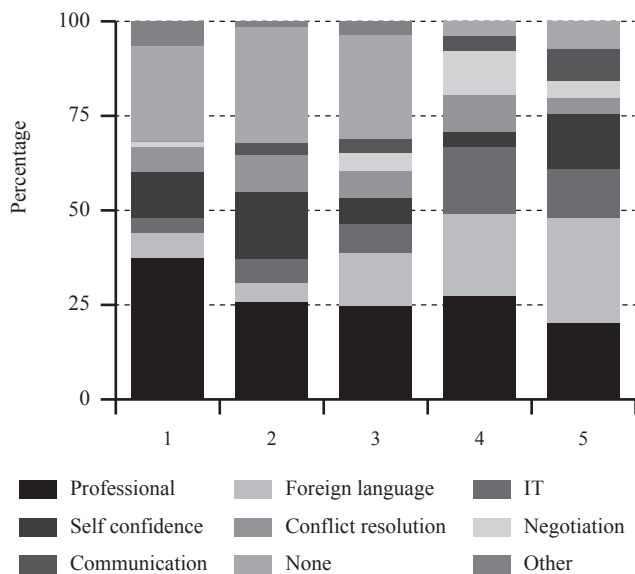


Figure 6: Respondents' perceptions of the need to develop their skills and competencies before starting public employment, according to educational level.

Note: respondents could select more than one option
Source: own data, n=300

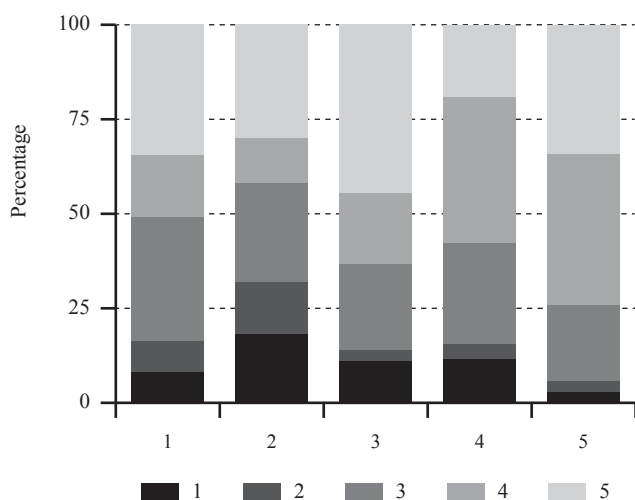


Figure 7: Respondents' perceptions of how up to date was their knowledge when they started public employment, according to educational level. 1 = not at all, 5 = fully.

Source: own data, n=300

Key differences between groups include the following (Figure 6): the need to develop foreign language skills was positively related to educational level, while most of those who saw no need to improve their skills are from groups 1-3. Interestingly, 28 persons (46 per cent) of respondents in group 1 perceived the need to develop their professional knowledge.

The questionnaire also included a question, to be scored on a 1-5 Likert scale, about how up to date the respondents felt their knowledge to be when they started public employment. One hundred and ten persons believed that their knowledge was completely up to date at that time and 64 persons answered that it was reasonably up to date. Just 32 and 20 persons respectively felt that their knowledge was not at all, or only partly up to date. The relationship between this indicator and educational level appears not to be strong, although 74 per cent of respondents in group 5 scored their knowledge highly (Figure 7).

The questionnaire asked whether public employers carried out a knowledge assessment before the start of public employment. Eighty-eight per cent of the respondents stated that no such knowledge assessment was carried out (data not shown).

When asked to list the skills and competences they had developed during the time spent in public employment, respondents could again select multiple answers. The most popular answers were that their endurance (116 persons) and tolerance to stress (100 persons) had been improved. Forty-nine respondents could perceive no improvements. No clear relationship between these answers and educational level was evident (Figure 8).

Respondents were also asked to list the competences that had not been improved. One hundred and seven listed language skills, this being a major concern of those in groups 4 and 5 (Figure 9). Tolerance to stress and IT skills were mentioned by 74 and 64 recipients respectively. In fourth place, 61 respondents stated that no skills had been improved.

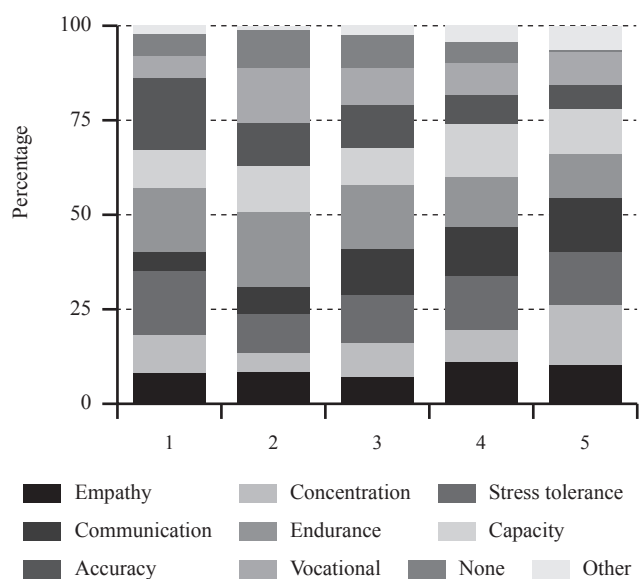


Figure 8: Respondents' perceptions of which skills and competences have been developed during public employment, according to educational level.

Note: respondents could select more than one option
Source: own data, n=300

It was of interest to know what personal development activities respondents have done to help themselves to return to the labour market. Again they were allowed to choose multiple answers. One hundred sixty-three persons answered that they had not participated in any type of training. This was the case with more than half of the persons in each of groups 1-3, but of only nine out of 35 persons in group 5 (Figure 10). This may reflect the fact that many respondents in groups 1-3 did not feel any need to improve their competences (Figure 6). Sixty-one persons stated that they have gained professional knowledge, 40 have earned new qualifications, 37 have attended job search training and 20 have taken part in a language course. These activities were pursued by greater shares of persons in group 5 than in groups 1 and 2.

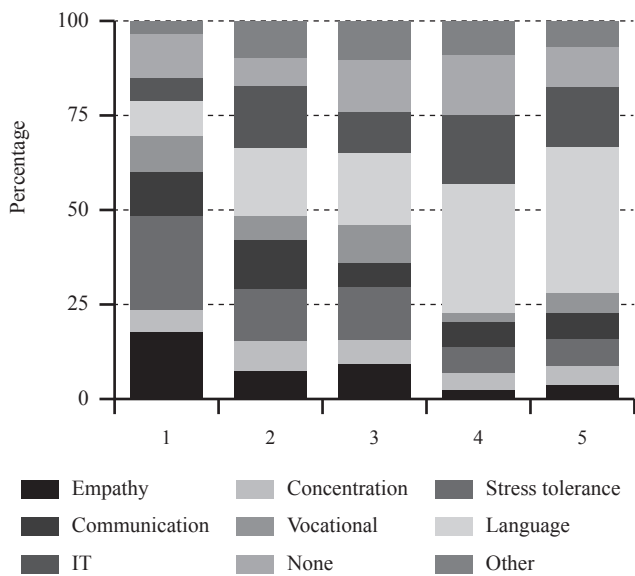


Figure 9: Respondents' perceptions of which skills and competences have not been developed during public employment, according to educational level.

Note: respondents could select more than one option

Source: own data collection, n=300

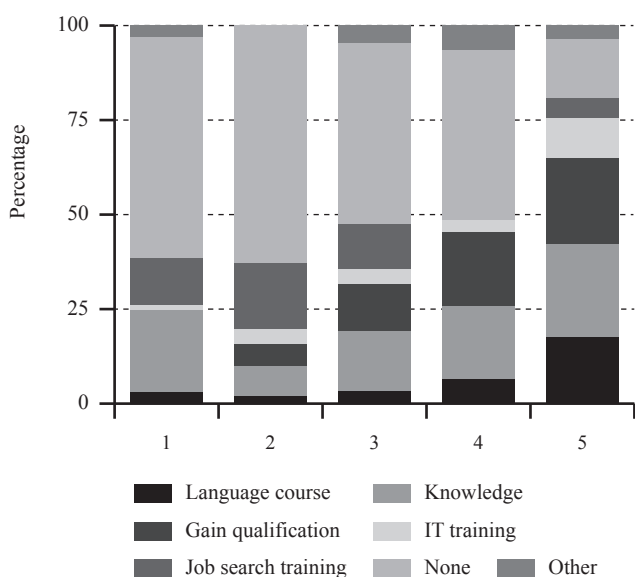


Figure 10: Personal development activities undertaken by respondents to assist their return to work, according to educational level.

Note: respondents could select more than one option

Source: own data, n=300

Satisfaction with public employment

Respondents were asked how satisfied they are with their public employment work. More than half stated that they were completely satisfied (100) or reasonably satisfied (64). However, clear differences were evident between groups. Whereas 60 per cent or more of those in groups 1 and 2 were completely or reasonably satisfied, this was the case for just 31 per cent of persons in group 5, where a further 31 per cent were extremely dissatisfied (Figure 11).

Eighty-three persons see no opportunities to improve their career prospects after public employment while only 41 persons were certain about having a new job. Around 40 per cent of persons in groups 1 and 2 could see no opportunity, but even in group 5 only 20 per cent were certain about having a new job (Figure 12).

Respondents were asked to assess the value of their public employment to society and its contribution to the improvement of their self-esteem. The majority felt that it was very (116) or somewhat (84) useful, and such a majority

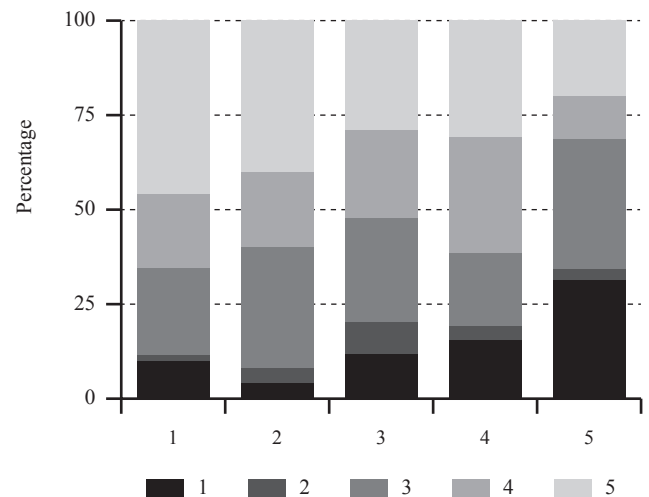


Figure 11: Respondents' satisfaction with their public employment tasks, according to educational level. 1 = not at all, 5 = fully.

Source: own data collection, n=300

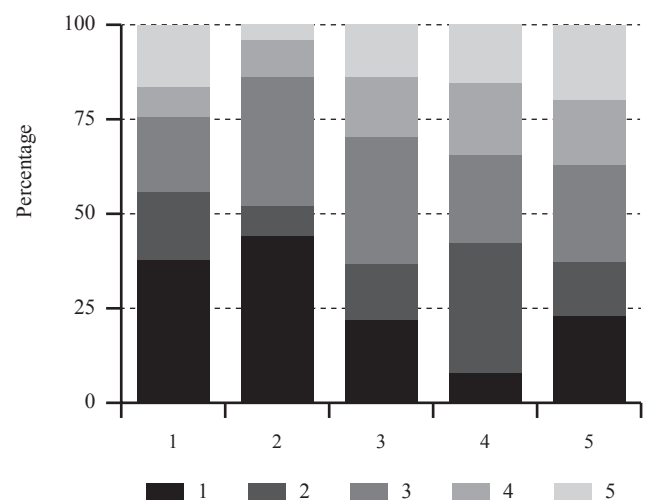


Figure 12: Respondents' perceptions of the opportunity to improve their career prospects after public employment, according to educational level. 1 = not at all, 5 = fully.

Source: own data collection, n=300

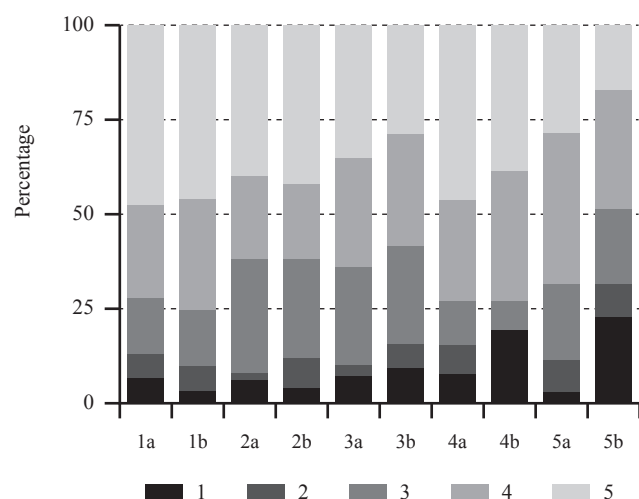


Figure 13: Respondents' assessment of the value of their public employment (a) to society and (b) to improving their self-esteem, according to educational level. 1 = not at all, 5 = fully.

Source: own data collection, n=300

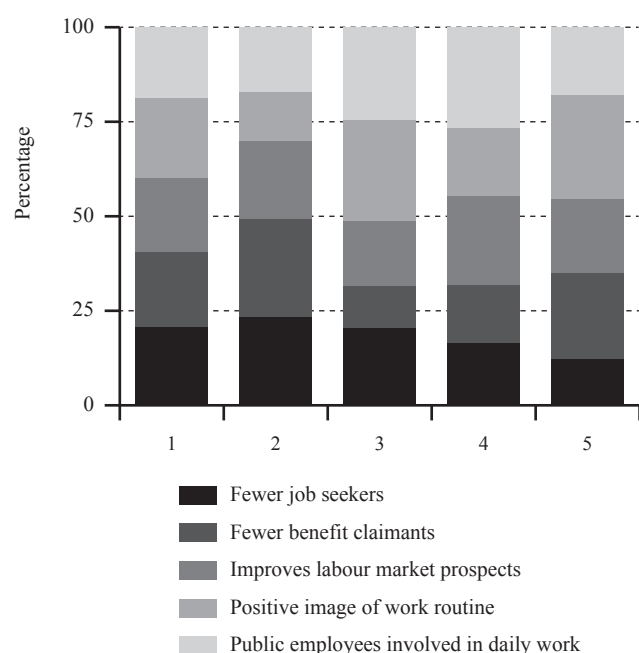


Figure 14: Respondents' assessment of how public employment in general contributes to society, according to educational level.

Note: respondents could select more than one option

Source: own data collection, n=300

was recorded for all groups (Figure 13). The aggregate data for self-esteem were similar, although in group 5 less than 50 per cent felt that in this respect the contribution of public employment was very high or high.

When asked about how public employment in general contributes to society, more than half of respondents stated that the value lies in reducing the numbers of job seekers (186) and benefit claimants (159). By contrast, only 77 respondents believed that public employment improves the labour market prospects of the participants (Figure 14).

In terms of the disadvantages for individuals of public employment, 235 respondents identified low pay and 164 cited the short-term nature of the work. These accounted for over 60 per cent of responses in all five groups (Figure 15).

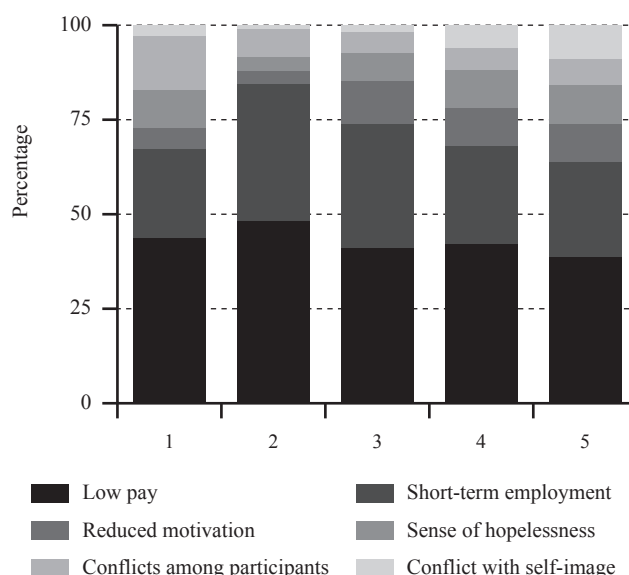


Figure 15: Respondents' assessment of the disadvantages of public employment for individuals, according to educational level.

Note: respondents could select more than one option

Source: own data collection, n=300

Discussion

The group of 300 respondents includes persons of all educational levels. The high proportion of respondents with, at most, basic education reflects the low number of job opportunities for these groups of jobseekers. However the high percentage of vocational school graduates shows that in this less-favoured micro-region unemployment not only affects poorly educated people but also those who have a marketable profession. The primary labour market is closed and there are very few new jobs in a typical village even where the unemployment rate is not significantly higher than at the national level. The educational level requirements of the available jobs are much lower than the qualifications of the potential applicants, so it is difficult for people who are educated to a higher level to find a suitable job. Only a few people have a job that is appropriate to their level of education thus the exploitation, maintenance or development of their skills are less and less possible.

Owing to the labour market situation in Hajdúböszörmény micro-region the local government involves the unemployed in public employment programmes because it does not have any better option. These programmes involve mainly simple, semi-skilled physical work where the development of employability skills is limited. Thus there are clear differences between groups of different educational levels not only in their labour market aspirations but also their attitudes towards public employment.

Employment history and labour market aspirations

The participation in public employment even of persons with higher educational qualifications may be for several reasons. One is that many people consider public employment as an opportunity to earn income. Although public workers are paid less than minimum wage set by Labour

Code, people having no other job opportunities can earn a higher income from public employment than they would from unemployment benefit. In addition, their time spent in public employment is considered as service period as well as insured status (Szabóné Lévai, 2013). Another reason may be that, according to Act IV of 1991 on improving employment and supporting unemployed individuals, for a job seeker who is not entitled to receive either jobseeker's support or jobseeker's support before retirement – in addition to paragraph 25 section § (2) – the job is also appropriate if it operates within public employment. If a person elects not to undertake a job the local government stops paying employment substitute support as a sanction.

Almost all respondents worked six or eight hours per day as micro-regional start projects can only run for eight working hours per day¹. More generally, the number of daily working hours can vary according to the type of public employment. Public employers may decide to support only part-time public employment to be able to employ more job seekers.

The finding that most respondents have worked in public employment programmes three times or more is consistent with the findings of Hudomiet and Kézdi (2008) and Csoba *et al.*, (2009). This is due to several factors. One is that because of the economic conditions of the micro-region public employment has become an important form of employment and local governments have become the dominant employers. Employment provided by local governments has become essential for local people due to the lack of other job opportunities. This result shows the importance of public employment provided by local governments.

Furthermore, public employment is considered the most secure and predictable work opportunity (Szabó, 2013). Public employment is seen to be the best 'probation period' as when the appointment of a public servant occurs, colleagues who are already known may have an advantage during the selection process.

However, although public employment has several benefits for participants, those people who are 'stuck' in public employment can have difficulties in returning to the primary labour market. After taking part in public employment for a third time a 'locking-in' effect can occur which traps public workers in a circle in which their employment prospects are diminished (Hudomiet and Kézdi, 2008; Csoba *et al.*, 2009; Szabó, 2013). Returning to the primary labour market is difficult due to the lack of time for job seeking, while people can become accustomed to the seasonality of public employment. People can spend months waiting for new programmes to start without actively searching for a new job in the meantime.

When looking for work, people prefer to search for legal job opportunities mainly because, according to the current regulations², those who cannot prove that they are eligible for health insurance benefits must pay a contribution fee to receive health care. These results suggest that public employment, in accordance with its main purpose, reduces the incidence of 'black' labour.

Skills development

Koltai (2014) showed that people participating in public employment not only tend to have a low level of education but most also lack other competences that could be advantageous in the labour market. This fact was recognised by many of the 300 respondents in this study. Language skills, IT knowledge and professional knowledge were identified by respondents (especially those in groups 4 and 5) as being essential to have before starting a new job. This is an important point because the quality of the labour market is determined by the knowledge and experience of its workforce (Komárominé, 2008). More highly educated workers create a better quality labour market leading to higher economic performance. Public employment is not able adequately to develop these skills. Although it would be unreasonable to expect any more from public employment than the purposes for which it was created (to provide temporary employment for job seekers and opportunities for reintegration into the labour market), the expectations are higher from micro-regional model projects due to the amount of funds involved.

Many respondents also recognised the need to develop their 'soft' skills. One of these, a lack of self-confidence, may be caused by the current situation of unemployment, a lack of confidence in their knowledge and/or experience, or their low level of education. Even so, almost one third of respondents felt no need to develop any competences. In fact, it is likely that many more of the respondents would need to do so: they probably only indicated those that should be improved for their education or for jobs that were suitable for them.

The lack of any knowledge assessment by public employers may be explained by the fact that they mainly employ people whose work abilities and competences are already known to them. Also, such surveys demand time and money, and add to the administrative workload of public employers, so normally no knowledge assessment is carried out.

With regard to actual skills development, the public employment work mostly had to be carried out in the open so workers had to endure changes in the weather that may have helped them to improve their endurance and stress tolerance. From the mental aspect, public employment significantly benefits the long-term unemployed by giving them the opportunity to get used to having expectations at work again. In the model programmes there is an emphasis on disciplined work. Work discipline is at least as important a requirement as providing material background for proper work. After some initial difficulties, work discipline in public employment is improving (Koltai and Kulinyi, 2013).

Satisfaction with public employment

The results from this study on respondents' satisfaction with public employment are consistent with the findings of a survey conducted by the Hungarian Ministry of the Interior (BM, 2014). Mainly those individuals are satisfied who think they are only capable do that type of job due to their level of education. People with higher degrees who are doing administrative or team leader tasks that do not fully correspond to their level of education, and those who would prefer to have

¹ 375/2010. (XII. 31.) Government regulation on support for public employment programmes.

² Act LXXX. 1997, legislation about beneficiaries of social security services and private pension, as well as the coverage of these

jobs involving mental work and who have been recruited to do physical jobs are the most likely to be dissatisfied. The legislative background considers public employment as an appropriate job regardless of level of education or professional education. The purpose of this law is to increase employment.

By contrast, the respondents' low assessment of the chances of returning to the primary labour market – formulated by the government as a high priority – shows that this possibility is not evident to many of the scheme participants. This is probably based on their experience of participating several times in public employment programmes due to the fact they were not able to find a job in the primary labour market.

The positive assessment of the value of the work done reflects the fact that model projects should have an important role in value creation as well in employment. The best example is the *agricultural plant production* project where vegetables are produced and transported to the kitchens of Hajdúböszörmény, even for consumption by children. Public employers – in this case local government – have the responsibility to create value-added employment. The results suggest that in the model projects there has been a qualitative transformation of public employment and people do not find this work as a shame anymore.

In addition to its usefulness, public employment is of significant financial value for the local government of Hajdúböszörmény. The decreasing local governmental and budgetary sources have been complemented well by public employment because the model projects have carried out large scale tasks which would have had to be done regardless. In public employment programmes many high-value assets have been purchased with 100 per cent state support and investments have been made which enrich the micro-region in the long term.

The level of satisfaction with work seems to be influenced by the perceived usefulness of the work. This result is especially good in that many of the job seekers given temporary job opportunities within the framework of public employment have been searching for a job without success for a long time. The emotional importance of having a job is clearly demonstrated by the respondents. The work carried out by individuals and their position at work determine their financial security as well as their social situation, helping to find their place in society and human relations. These factors also have important roles in self-assessment, in structuring daily activities, time and time scheduling (Farkas *et al.*, 2009).

Concluding remarks and recommendations

Knowledge has become an essential factor of labour market opportunities (Gyekiczki, 1994). More emphasis should be placed in public employment programmes on developing the skills of the participants in line with labour market needs. Training combined with public employment should be obligatory. Employers are often dissatisfied with the professional competences of their job applicants. Programmes should be set up which give the opportunity to learn practical skills and theoretical knowledge. This would have a positive effect on

the primary labour market in the long term.

The level of integration into the primary labour market after public employment would be higher if there were labour market services to convince people to work. On the other hand, the scheduling of public work should be aligned with the seasonality of labour market needs.

Thanks to its diverse market activities the social cooperative can be an appropriate organisational form for public workers to ensure the necessary conditions for self-employment. Another option for public workers is to become agricultural producers. This possibility is supported by several programmes such as the one within the framework of the start-work programme.

The local government of Hajdúböszörmény should cooperate more closely with the minority government, civil organisations and relevant labour offices during the preparation and implementation of public employment programmes. Such cooperation can ensure their targeted and efficient implementation as well as to create and expand good practices. Efficient organisation, work management and monitoring are required in order to ensure public employment is successful, with employers reaching their professional goals and utilising public funds well.

In conclusion, the current public employment system should be maintained as long as the private sector cannot provide enough job opportunities for job seekers. Its activities should not create competition but rather increase the number of job opportunities in the micro-region and should have positive benefits for the micro-region community as well.

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